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99TH CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPORT
99-642

H.R. 4060 ORIGINAL

CIVIL SERVICE RETIREMENT COST-OF-LIVING ADJUSTMENT FOR 1987

JUNE 17, 1986.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Ms. OAKAR, from the Committee on Post Office and Civil Service, submitted the following

REPORT

[To accompany H.R. 4060]

[Including cost estimate of the Congressional Budget Office]

The Committee on Post Office and Civil Service, to whom was referred the bill (H.R. 4060), to amend title 5, United States Code, to provide that the full cost-of-living adjustment in annuities payable from the Civil Service Retirement and Disability Fund shall be made for 1987, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments (stated in terms of the page and line numbers of the introduced bill) are as follows:

Page 2, line 5, strike "§ 8349." and insert "§ 8352.".

Page 3, line 3, strike "8348" and insert "8351".

Page 3, in the item following line 3, strike "8349" and insert "8352".

EXPLANATION OF COMMITTEE AMENDMENTS

The committee amendments merely correct erroneous section designations in the introduced bill.

PURPOSE

The purpose of this legislation is to amend title 5, United States Code, to provide that the full cost-of-living adjustment in annuities payable from the Civil Service Retirement and Disability Fund shall be made for 1987.

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CONGRESSIONAL RECORD

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COMMITTEE ACTION

On January 28, 1986, Ms. Oakar, for herself and 13 other Members, introduced H.R. 4060, a bill to provide that a full cost-of-living adjustment (COLA) in annuities payable from the Civil Service Retirement and Disability Fund shall be made for 1987. The bill was referred to the Committee on Post Office and Civil Service.

The Subcommittee on Compensation and Employee Benefits conducted a public hearing on the subject matter of H.R. 4060 on February 2, 1986 (Serial No. 99-44). Testimony was received from Members of Congress, a representative of the U.S. Office of Personnel Management, and representatives of employee and retiree organizations.

On May 8, 1986, the Subcommittee on Compensation and Employee Benefits approved the bill, without amendment, by voice vote. On June 11, 1986, the Committee on Post Office and Civil Service, by voice vote and with a quorum present, ordered H.R. 4060 favorably reported with technical amendments.

SUMMARY

Under existing law (5 U.S.C. 8340), civil service retirement and survivor annuities are increased on the basis of the change in the Consumer Price Index (CPI) from the third quarter of the current year over the third quarter of the preceding year. The adjustment is made regardless of the percentage increase in the CPI and is received by annuitants in their January checks.

The enactment of the Balanced Budget and Emergency Deficit Control Act of 1985, Public Law 99-177, eliminated civil service annuitants' COLA's for 1986.

H.R. 4060 would ensure that the COLA scheduled for payment during 1987 will be paid to civil service annuitants.

STATEMENT

The Balanced Budget and Emergency Deficit Control Act of 1985, Public Law 99-177, eliminated FY 1986 COLA's for civil service, military, railroad, and disability annuitants while guaranteeing a COLA for social security and veterans benefits recipients. The decision to differentiate between annuitants with respect to COLA's was contrary to a policy decision made by the Congress in the first session of the 99th Congress during budget deliberations.

The Subcommittee on Compensation and Employee Benefits recommended a full COLA for civil service annuitants in January 1986 in its recommendations to the Committee on Post Office and Civil Service on the fiscal year 1986 budget. The recommendation was later endorsed by both the Committee on Post Office and Civil Service and the Committee on the Budget, and then was approved by the House of Representatives in connection with the first budget resolution for fiscal year 1986.

The provisions of Public Law 99-177 affecting civil service annuitants took effect 2 months earlier than other mandated spending reductions which took effect on March 1, 1986. Approximately 1.5 million civil service annuitants did not receive a COLA in January 1986. The COLA would have reflected a 3-percent increase in con-

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sumer prices. Over the past 5 years, civil service annuitants have received only 70 percent of the COLA's to which, by law, they were entitled.

The committee notes that the Supreme Court is expected to decide the constitutionality of denying the 1986 COLA. The committee strongly supports the principle of guaranteeing future COLA's for civil service annuitants.

H.R. 4060 provides that those who are retired from Federal service or their survivors will receive an increase in their retirement checks in January 1987 which is consistent with the provisions of section 8340 of title 5, United States Code. The committee believes that the impact of H.R. 4060 is important in that it seeks to maintain equality among various retiree groups, all of whom are dependent on their annuity checks and all of whom are equally affected by inflation.

The committee directs special attention to the fact that the first budget resolution for fiscal year 1987, agreed to by the House of Representatives on May 15, 1986, assumes a two percent COLA for annuitants and allows for a higher increase if the Consumer Price Index increases by more than that percentage. The committee believes H.R. 4060 is consistent with the first budget resolution and would not impose additional costs on the Federal Government.

Sectional Analysis

H.R. 4060 amends subchapter III of chapter 83, title 5, United States Code, by adding a new section 8352 at the end of that subchapter.

Subsection (a) of the new section 8352 provides that any benefits payable from the Civil Service Retirement and Disability Fund during calendar year 1987, including adjustments for inflation as provided for in section 8340, will not be subject to reduction or suspension by statute or Presidential order during that year.

Subsection (b) of the new section provides that "benefits payable from the Fund" as referred to in subsection (a) will be determined in accordance with the applicable provisions of chapter 83 of title 5, United States Code.

Cost

The cost estimate prepared by the Congressional Budget Office pursuant to sections 308(a) and 403 of the Congressional Budget Act of 1974 is set forth below:

U.S. Congress,
Congressional Budget Office,
Washington, DC, June 16, 1986.

Hon. William D. Ford,
Chairman, Committee on Post Office and Civil Service, U.S. House of Representatives, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has reviewed H.R. 4060 as ordered reported by the House Committee on Post Office and Civil Service on June 11, 1986. Relative to the Congressional Budget Office (CBO) baseline, we estimate that enactment of H.R. 4060 would result in no additional cost to the federal

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government. The budgets of state and local governments would not be affected by enactment of this legislation.

This bill would prohibit the reduction or suspension of any cost-of-living adjustment (COLA) payable to Civil Service retirees during calendar year 1987. Under the bill, COLAs could not be limited by means of statute or Presidential order, which would prohibit any reduction pursuant to Public Law 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings).

The CBO baseline for the Civil Service Retirement Trust Fund already includes a 3.4 percent estimated COLA increase to be paid to civilian retirees during calendar year 1987. Thus, the enactment of H.R. 4060 guaranteeing an increase would have no federal budget impact relative to the CBO baseline.

Under current law, a sequester order pursuant to P.L. 99-177 would automatically withhold the COLA payable to civil service retirees. H.R. 4060 would restore any such reduction, but would not change the total deficit reduction amount specified in a sequester order. The Gramm-Rudman-Hollings law sets specific deficit targets for each fiscal year. Once the projected deficit is calculated, the amount of federal spending to be sequestered is fixed. Exempting Civil Service Retirement COLAs from reduction means that the cuts necessary to meet the deficit targets must come from other federal programs.

Please call me or have your staff contact Carmela Dyer (226-2820) if you have any questions.

With best wishes,

Sincerely,

RUDOLPH G. PENNER, *Director.*

OVERSIGHT

Under the rules of the Committee on Post Office and Civil Service, the Subcommittee on Compensation and Employee Benefits is vested with legislative and oversight jurisdiction over the subject matter of this legislation. As a result of the hearings, the subcommittee concluded that there is ample justification for enacting this legislation.

The subcommittee received no report of oversight findings or recommendations from the Committee on Government Operations pursuant to clause 4(c)(2) of House Rule X.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(l)(4) of House Rule XI, the committee has concluded that the enactment of H.R. 4060 will have no inflationary impact on the national economy.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

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TITLE 5, UNITED STATES CODE

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PART III—EMPLOYEES

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Subpart G—Insurance and Annuities

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CHAPTER 83—RETIREMENT

SUBCHAPTER I—GENERAL PROVISIONS

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SUBCHAPTER III—CIVIL SERVICE RETIREMENT

8331. Definitions.

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8352. Benefits during calendar year 1987.

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SUBCHAPTER III—CIVIL SERVICE RETIREMENT

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§ 8352. Benefits during calendar year 1987

(a) Any benefits payable from the Fund during calendar year 1987, including any increase in those benefits which is scheduled to become payable during such calendar year as the result of an adjustment under section 8340 of this title, shall not be subject to reduction or suspension, either pursuant to statute (other than applicable provisions of this chapter) or Presidential order, during such calendar year.

(b) For the purpose of this section, "benefits payable from the Fund" shall be determined solely in accordance with applicable provisions of this chapter.

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